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US Gulf Coast could face average annual losses of up to USD 23 billion by 2030 and cumulative economic damages of USD 350 billion from climate risks, says Swiss Re research

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Contact:

Media Relations, Zurich  
Telephone +41 43 285 7171

Corporate Communications, New York  
Telephone +1 212 317 5663

Corporate Communications, London  
Telephone +44 20 7933 3445

Corporate Communications, Asia  
Telephone +852 2582 3660

Swiss Reinsurance Company Ltd  
Mythenquai 50/60  
P.O. Box  
CH-8022 Zurich

Telephone +41 43 285 2121  
Fax +41 43 285 2999  
[www.swissre.com](http://www.swissre.com)

**New York, 20 October 2010 – Climate change, economic development and land subsidence risks could cost communities along the US Gulf Coast over USD 350 billion in cumulative economic losses over the next 20 years, concludes a new study released today by Entergy Corporation. Wind and storm surge damage today already amounts to an average USD 14 billion per year in the region, according to the study’s findings. Severe climate change, coupled with economic growth and land subsidence, could drive up expected annual losses by up to 65 percent to an average of USD 23.4 billion by 2030.**

The study on the economics of climate adaptation along the US Gulf Coast considers assets across 77 coastal parishes and counties in four energy-producing states, including Texas, Louisiana, Mississippi and Alabama. The analysis was conducted to estimate the potential impact of natural hazards on key sectors of the region’s economy, notably the electric utility and oil and gas industries, and inform coastal communities on how to strengthen their resilience.

Swiss Re was a lead contributor to the research and brought its natural catastrophe and risk assessment knowledge to bear on the challenge of quantifying climate risks. The methodology used in this study was previously developed and tested by a consortium of public and private partners, including Swiss Re, in a project on the Economics of Climate Adaptation (ECA). It provides decision-makers with a systematic, fact-based approach to build a portfolio of economically suitable adaptation measures.

Andreas Spiegel, Swiss Re’s Senior Climate Change Advisor, says: “The Entergy project confirmed our findings from previous adaptation studies, namely that there is a flip-side to the climate debate. Inaction at the global policy level to reduce greenhouse gas emissions, combined with economic growth that is not risk-adequate, will come at a cost. In the Gulf Coast region, such

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failures could result in annual average expected losses of two to three percent of GDP by 2030.”

But Spiegel adds: “Perhaps even more important is that there are potentially attractive measures that can keep the risk profile of the Gulf Coast constant over the next 20 years. While there is still significant residual risk, insurance is a key measure to address this, in particular for extreme events for which risk transfer solutions are more cost-efficient than physical adaptation measures.”

The study recommends a range of economically attractive adaptation initiatives that could prevent a large part of the expected increase in losses. By investing USD 50 billion in cost-effective measures over the next two decades, such as improved building codes, beach nourishment and roof cover retrofits, Gulf Coast communities can avert about USD 135 billion in annual losses over the lifetime of implemented measures.

To protect against losses remaining in residual risk, insurance proves to be the most cost-effective measure, says the study. There are mainly four key risk transfer actions that can help address residual loss. These include increasing insurance by making premiums more affordable through physical adaptation measures; decreasing the prevalence of under-insurance through incentives that encourage updating of insured property values; promoting additional self insurance; and transferring top-layer risk through catastrophe bonds and other instruments.

Swiss Re has already developed a number of innovative risk transfer solutions for communities in the Gulf and Caribbean region. Besides providing parametric hurricane and earthquake covers for Caribbean countries, Swiss Re has also supported weather-related transactions with the Mexican government and the US State of Alabama.

To read learn more about Swiss Re’s transactions and the ECA methodology, first published in the ECA Working Group report “Shaping Climate-Resilient Development,” please visit [www.swissre.com](http://www.swissre.com) or [www.swissre.com/climatechange](http://www.swissre.com/climatechange).

### **Notes to editors**

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